

Guidelines on Special Costs for International Programs

In addition to the usual budget line items and considerations for a domestic project, consider the following additional costs when developing a budget for a new international program:

- **Registration** (*when necessary* – please refer to [Legal Presence](#), for additional details). Often underestimated, registration in another country can be very costly and when Columbia registers in another country or creates a new related entity, all costs are the responsibility of the School or department whose activity triggered the registration. The registration process is heavily dependent on local law and government bureaucracy as well as on the particular legal structure necessary to support planned activities. In some countries, registration could be completed in 6-8 weeks; in other countries, registration routinely takes six months, a year or even longer. Costs can also vary significantly; countries with low costs of living do not necessarily offer inexpensive registration. Some of these costs may apply even if registration is not required. Major costs include:
 - **Registration fees** charged by the host country government.
 - **Local legal counsel**, both during the startup phase and to advise on ongoing business matters. **(Columbia policy requires that all legal counsel be engaged by OGC, please refer to [Local Legal Counsel and Other Experts](#) for additional details)**
 - **Local accounting services**. Either Columbia or an affiliated legal entity will need to file regular financial reports in the host country. In the case of a separate entity, the entity will need audited financial statements. Accounting firms also help track and comply with local regulations. Accounting fees are often a significant administrative expense.
 - **Business consulting**. Outside consultants often assist in identifying local service providers and performing due diligence that does not require legal advice. (Consultants are often less expensive than lawyers.)
 - **Payroll and Benefit Services**. Columbia’s Human Resources Office only processes the U.S. payroll and Benefit. Foreign payroll/benefit management requires a local HR firm, or employees may be “leased” from a vendor called a *Professional Employment Organization* (PEO.). This is similar to engaging a temporary staffing agency.
 - **Insurance**. Consult with the unit of [Insurance and Risk Management](#), within the Office of the Treasurer. Certain insurance may be required by local law.
 - **Capitalization**. Some countries require that registered businesses fund a local bank account with working capital, as assurance that the business will invest in the country. Depending on local law, Columbia or the local entity may be able to spend down the capital infusion or may have to maintain it at a set level. This may require that a special type of bank account be set-up for this program. This type of stipulation is often included in the financial information section of an RFA or RFP and it is very important that it be brought to the attention of the cash management team at the **Cash Management and Operations** unit of the **Office of the Treasurer** as early as possible in the process.

(Some of these itemized costs may apply even if registration is not required.)
- **Travel**. Ensure you have planned enough trips to allow for appropriate oversight. Recognize that flight, per diem and hotel rates can fluctuate dramatically. For per diem, hotel and miscellaneous travel costs on federally funded grants, it could be helpful to use the [Foreign Per Diem Rates by Location](#) that are published online, on a monthly basis, by the U.S. Department of State.

In addition, programs funded with federal funds are subject to the U.S. Flag Carrier Policy. For more information on this policy, go to [U.S. Flag Carrier Policy](#) page of the SPA website.

- **Legal and consulting fees.** In addition to the process of registration, most international programs will need advice from local counsel fairly regularly. Most programs also incur fees from consultants, accountants, etc. during the setup phase and over the long term.

(Columbia policy requires that all legal counsel be engaged by OGC, please refer to [Local Legal Counsel and Other Experts](#) for additional details)

- **Translation costs (if applicable).** When the international program is located in a non-English speaking country, official binding documents, including those requiring OGC and SPA review, will require professionally certified translations prior to being approved.
- **Import/export duties and other taxes.** Programs sending tangible goods abroad may incur duties as well as customs brokerage fees. Program revenue and/or international fund transfers may be taxed; rates of 25%-35% are not uncommon.
- **Shipping Costs.** Sending packages to international locations can be significantly more expensive than doing it domestically. To research country specific information and requirements that may affect your international shipment, see [Country Profiles in the FedEx International Resource Center](#).
- **Real estate leases and renovation.** Programs often need to rent office spaces as well as spaces for performing the academic or educational programs.
- **Security and maintenance.** When office space is secured internationally, some locations will need to contract security personnel to safeguard staff and property. Additionally, the upkeep of the office space may also require a service contract.
- **Salaries and Benefits.** Columbia staff working abroad often must be put on local payrolls, which can be reflected either through a typical markup of 10%-20% or through flat fees assessed by local employment agencies. That markup does not cover payroll taxes, which can be much higher than U.S. FICA (i.e. social security) taxes, especially in developed countries. In some cases, employees on Columbia's U.S. payroll require a portion of the salary be paid in the host country in order to comply with local laws. Also, if payroll for certain employees would require that salaries be sent through wire transfers, the costs for the wire transfers should also be included in the department's budget.
- **Employment allowances.** Columbia faculty and staff on short and medium-length trips may be paid a per diem for meals and incidentals. For international assignments of a year or longer, Columbia Human Resources could recommends additional allowances, which can add a substantial amount to the budget. These may include:
 - Cost of living allowance
 - Housing allowance
 - Relocation and repatriation
 - Home leave
 - Dependent benefits (relocation/repatriation, home leave, education, etc.)
 - Tax equalizationPlease consult with your Department's Human Resources representative for additional guidance.
- **Insurance.** International activities may need additional, and sometimes local, insurance coverage. For example most countries have mandates regarding insurance coverage for vehicles. For assistance with insurance questions, please contact the unit of [Insurance and Risk Management](#), within the **Office of the Treasurer**.

- **Vehicles and other transportation costs.** Programs need to understand the cost for different in-country transportation options such as public transportation and vehicle rental/purchase
- **FX and Currency Fluctuation Risks.** A sponsored project's budget is a financial estimate of the project's statement of work and is recorded in the Accounting and Reporting at Columbia (ARC) system in U.S. dollars (USD). However, many expenses will be incurred locally at the host country and in local currency, which will result in variance to the budget.

It is necessary to review foreign exchange rates, for the host country currency on a regular basis in order to anticipate impact to the budget. It is recommended that you create a revised budget closer to award stage (also called "Just-in-Time" stage), as currency exchange rates may have changed since your original proposed budget. Additionally, Departments are responsible to develop and adjust program budgets so that the impact of currency fluctuations are covered through anticipated sponsor payments. Keep in mind that there could be fluctuations after the end of program operations and before the receipt of final sponsor payments, which can take months. **Departments are cautioned to monitor fluctuations and adjust budgets throughout the life of sponsored projects.**

In unusual cases, a School may work with the Office of the Treasurer's Cash Management and Operations (email [Cash Team](#)) to hedge against currency fluctuations on large projects

- **International banking service charges.** Banks normally charge fees for international services such as cross-border wire fees.
- **Close-out Costs.** These will include costs associated with required inventories and audits in advance of closeout in order to plan for a smooth departure. There can be several high-cost closeout items so advance planning and budgeting for this purpose is a necessity. Some items that should not be overlooked:
 - **Repatriation of all records and other materials** that may need to be secured for privacy and document retention reasons.
 - **Recover of unspent funds** that remain at project's end may sometimes be costly or even forbidden considering government restrictions.
 - **Human Resource costs-** costs of termination payments due to staff according to the country's laws. Also, when considering the timeframe for retention of staff, even when field operations are completed and most field staff are no longer needed for regular field functions, administrative staff that will be required to complete all close-out functions would need to be retained until these are completed. This may mean that the space that they will need to work and the related operational costs will have to be budgeted accordingly.
- **The unexpected.** When operating in a less familiar location, something unexpected is a frequent possibility. Pay attention to foreseeable events (monsoons, protests, etc.) that could disrupt the program. Have a contingency budget for the less foreseeable.